



**Moldova Social Investment Fund
Final Program Report
to USAID**

July 25, 1997 to May 31, 1999

Cooperative Agreement No. 121-0007-G-00-7201-00

Submitted by

Mark Freeman,
ACDI/VOCA Country Representative
in Moldova

TABLE OF CONTENTS

I. <u>EXECUTIVE SUMMARY</u>	2
II. <u>PROGRAM RATIONALE AND OBJECTIVES</u>	3
III. <u>PROJECT IMPLEMENTATION OVERVIEW</u>	5
A. STAFF DEVELOPMENT	6
B. SYSTEMS DEVELOPMENT	6
C. COMMUNITY CAPACITY BUILDING	7
D. CAPACITY BUILDING OF SMALL PRIVATE CONTRACTORS	9
E. SHORT-TERM LABOR GENERATION	10
F. MICROPROJECT IMPLEMENTATION	10
G. PROGRAM LEVERAGE	13
IV. <u>MICROPROJECT ANALYSIS</u>	14
A. SOLDANESTI REGION	14
B. VULCANESTI REGION	18
C. NISPORENI REGION	18
D. STEFAN VODA REGION	20
V. <u>PROBLEMS ENCOUNTERED, SOLUTIONS & CHANGES MADE</u>	20
A. COMMUNITY CONTRIBUTION COLLECTION	21
B. LOW ATTENDANCE AT GENERAL COMMUNITY MEETINGS	21
C. INSUFFICIENT TECHNICAL SKILLS OF MSIF ENGINEERS	22
D. DUAL ACCOUNTING SYSTEM IS REQUIRED	23
E. INITIAL ORGANIZATIONAL STRUCTURE AND LEVEL OF STAFFING INSUFFICIENT TO PROVIDE INCREASED TECHNICAL ASSISTANCE TO POOR VILLAGES	23
F. INITIAL ORGANIZATIONAL STRUCTURE AND LEVEL OF STAFFING INSUFFICIENT TO MEET ADMINISTRATIVE NEEDS	23
G. INEXPERIENCE IN WORKING UNDER WINTER CONDITIONS	23
H. GOVERNMENT SUPPORT	24
VI. <u>PROJECT ACCOMPLISHMENTS</u>	24
A. STATUS OF DELIVERABLES	24
B. IMPACT ASSESSMENT OVERVIEW	26
VII. <u>ATTACHMENTS</u>	28
Attachment 1	Implementation Plan Tracking
Attachment 2	Social Investment Fund Objectives Status
Attachment 3	World Bank Pilot Project Supervision Mission Report
Attachment 4	Revised MSIF Organizational Chart
Attachment 5	Impact Assessment of USAID-funded microprojects
Attachment 6	SF269 and Statement of No Financial Obligation (get correct title)
Attachment 7	Equipment distribution listing
Attachment 8	Operational Manual
Attachment 9	Handbooks for Microproject Promotion, Appraisal and Follow-up
Attachment 10	Finance and Administration Handbook

I. EXECUTIVE SUMMARY

II. PROGRAM RATIONALE AND OBJECTIVES

The government of Moldova's severe resource constraints have left it unable to maintain existing social and economic infrastructure such as health care and education facilities, roads, telephones, water and sanitation systems, adequate gas for heating and electricity. Central, regional and local government entities traditionally have been responsible for maintaining such infrastructure in Moldova. However, the scarcity of funding, technical expertise, inputs, and, in some cases, the lack of an appropriate legal and institutional framework, has lead to a widespread deterioration of infrastructure that currently impedes the government's ability to provide communities with the services they require. Those hardest hit are women, children, and individuals of a low economic status, such as pensioners.

Nevertheless, there is evidence that community members in Moldova have been active both independently and in cooperation with government entities in an attempt to ensure a minimal level of services over the past five years. In both rural and urban areas, these efforts have mainly been concentrated in meeting immediate basic needs such as water and electricity. Although laudable, the unfortunate aspect of these efforts is that many community and local government efforts to resolve infrastructure problems have been ad-hoc, with little focus on prophylactic measures or implementation of long-term solutions. Many communities focus on resolving problems related to immediate basic needs such as energy and electricity generation, irrigation, potable water and sanitation. They have relegated other needs, such as health and education, as secondary priorities.

The Moldova Social Investment Fund (MSIF) project is an attempt to address these issues by building the capacity of communities to mobilize physical and financial capital to resolve many of their problems through action groups, local organizations or NGOs. Created by the Government of Moldova and the World Bank in the spring of 1997, the MSIF project provides grants of up to \$50,000 to communities for the repair of social infrastructure facilities (water and gas systems, primary health facilities, schools, access roads, etc) while providing intensive training to build the capacity of the community members, local government officials, and private contractors. A strong emphasis is placed on involving community members at all levels – from determining the project to collecting the community investment (intended as a “buy-in” for the project) to supervising construction. Ultimately, the community oversees the maintenance and sustainability of the rehabilitated facility through a community-based NGO or other local organization created by the community. The basic premise underlying the strong emphasis on community participation is the strong belief that if the community understands from the initial stage of project identification that it is responsible for implementation success, it will demonstrate a greater commitment to ensuring the project's cost-effectiveness and sustainability after rehabilitation. Moreover, the MSIF attempts to build the capacity of the community to undertake similar (if simpler) projects in the future.

The project was designed in two parts: a *Pilot Phase* oriented towards training the MSIF staff and testing procedures in 6 regions, and the *Main Phase*, which is scheduled to last four years and will build upon the experience gained in the Pilot phase to expand nationally. The Pilot Phase of the MSIF was launched using \$499,995 of grant funds from USAID, \$500,000 grant funds from the Swedish International Development Cooperation Agency (SIDA) and a grant of \$368,000 from the Japanese Government. The MSIF also used a \$500,000 advance on the World Bank loan that will finance the Main Phase. Currently, the Main Phase is being

co-financed by a \$15 million IDA loan from the World Bank, \$1 million from SIDA and \$105,000 from the Soros Foundation.

The **goals** of the MSIF include: 1) improving the living standards of poor communities and vulnerable groups through rehabilitation of essential social and economic infrastructure; 2) community participation and local capacity building to identify priorities and implement small-scale microprojects; 3) local, labor-intensive employment generation; 4) building capacity of small private contractors; and 5) assisting local governments in management of key social assets divested from state enterprises and kolkhozes.

Working closely with the World Bank and USAID, ACDI/VOCA's role in implementing the Pilot Phase of the MSIF project was to manage the funding provided by USAID for the pilot phase, to provide intensive technical assistance to the staff so that it could become an autonomous organization capable of implementing approximately 75-100 microprojects annually during the Main Phase and to act as an overall supervisory body in coordinating administrative policies and microproject selection. Additionally, ACDI/VOCA was to supervise the implementation of up to 10 microprojects during the Pilot Phase to test and refine procedures for use during the Main Phase. These procedures were to be incorporated into an Operational Manual for the Main Phase.

The primary operational objectives of ACDI/VOCA and the MSIF during the Pilot Phase were to:

- Establish a Moldovan Management Unit (MMU) with the capacity and expertise to implement 100 to 200 infrastructure rehabilitation projects annually, expected during the main phase of the Moldovan Social Investment Fund (MSIF);
(**NOTE:** The target number of infrastructure projects during the Main Phase was reduced to 75 to 100 projects annually during the early part of the Pilot Phase)
- Develop an Operations Manual outlining procedures for procurement, microproject selection, appraisal and implementation, and MMU administrative procedures;
- Develop an accounting and financial management system for the MMU that will allow it to efficiently track expenditures; and
- Develop a management information system to support the MMU's tracking of microproject implementation.

*** **NOTE:** the term "MMU" refers to the administrative body of the MSIF. The term "MSIF" will be used hereafter to describe both the administrative body and the overall program.

The primary **micro**-development objectives during the Pilot Phase were to:

- Build the capacity of ten to fifteen communities to prepare sustainable infrastructure rehabilitation microprojects, manage or implement the construction works, and maintain these facilities;
- Work with communities to develop an integrated approach to resolving community infrastructure problems that will contribute to community's sense of ownership of a facility;
- Strengthen the capacity of local contractors to benefit from the contracts financed by the MSIF; and

- Generate employment through financing of labor-intensive construction works.

To achieve these operational and development objectives, ACDI/VOCA:

- Helped create an autonomous institution, the MMU, to manage the MSIF project in both the Pilot and Main Phases;
- Trained the MMU to manage the implementation of ten to fifteen small- and medium-scale social and economic infrastructure rehabilitation projects;
- Worked with the MMU of the MSIF to prepare the necessary documentation and operational systems to implement these microprojects, including the development of a comprehensive operations manual, accounting system and functioning management information system.

The complete list of deliverables and their status at the end of the project are reflected in Section V, "Project Accomplishments."

III. PROJECT IMPLEMENTATION OVERVIEW

Although donor support to the Moldova Social Investment Fund (MSIF) began in July 1997 and the MSIF was officially created by Government Decree in September 1997, actual implementation of the Pilot Phase of the MSIF did not begin until November 1997. Delays were caused by the Steering Committee's refusal to follow World Bank and USAID procedures ensuring transparency and the Committee's failure to enforce the English language requirement for the Executive Director. This was resolved in late October by forming a small committee within the Steering Committee and nominating a candidate from the pool of previous candidates. ACDI/VOCA and the MSIF immediately began hiring the Department Directors and operational staff (engineers, social scientists, secretary, drivers, accountant).

ACDI/VOCA and the MSIF completed the first drafts of the operational documents early in the Pilot Phase. The first draft of the Operational Guidelines was completed in December 1997, while the first draft of the Handbooks for Microproject Promotion, Appraisal and Follow-up (collecting contribution, supervising works, project hand-over) were completed at the end of January 1998 and completed in June 1998- what do you mean?. The Finance and Administration Handbook was completed by June 1998, with assistance from ACDI/VOCA and a World Bank consultant from the ASIF. The Operational Guidelines were completed in July 1998 and became the Operational Manual for the Main Phase. Both the Operational Manual and the Handbooks (along with all accompanying documentation) were approved by the National Steering Committee and the World Bank prior to the December 1998 negotiations on funding for the Main Phase.

Microproject implementation proceeded at an equally quick pace. The MSIF held the first regional workshop to promote the MSIF in the Soldanesti region in late December 1997 and workshops were conducted in 2 more regions by the end of January 1998. The first 6 microproject proposals were also approved in January.

Finally, the Pilot Phase of the MSIF was extended twice over the course of the project, once to compensate for the political delays in the beginning of the project and once due to delays

in completing microprojects caused by winter weather conditions. Thus, the Pilot Phase was extended from its original end date in July 1998 to May 1999.

A. Staff Development

Throughout the course of the Pilot Phase, ACDI/VOCA training to the MSIF staff focused on computer skills, oral presentation skills, USAID and World Bank procurement procedures, financial management and accounting, and all aspects of the microproject cycle. Where possible, ACDI/VOCA used the seminar format, though normally used a one-on-one basis, especially with the senior staff (Executive Director, Department Directors), to ensure a thorough understanding of the topic and to address questions. Training continued on an ongoing, consultative basis to address problems or to clarify interpretations of the MSIF operating procedures throughout the Pilot Phase.

World Bank-funded consultants provided additional training on developing and using a logframe matrix as a planning tool, community development, incorporating environmental impact into microproject appraisal and on the challenges involved with providing healthcare to rural areas. World Bank consultants from the Armenia SIF also helped develop the procurement manual and both the MIS and accounting systems to ensure compatibility with World Bank procurement and reporting procedures, while building upon the practical experience of the Armenia SIF.

World Bank consultants also trained the Microprojects Department staff on assessing and developing building norms and standards. Moldova is currently revising its own norms and standards, but does not expect to complete the process for several years. But, as a result of this training, and with the consultant's assistance, the MSIF received permission from the Minister of Construction to use the norms and standards designed by the consultant (based on US and European standards) when implementing microprojects. Accordingly, all MSIF microprojects are completed according to western norms.

Recognizing that the administration of the project and the office were being hampered by the weak management skills of the senior staff, ACDI/VOCA and the World Bank hired a management consultant to provide management training, develop clear job descriptions, refine the personnel manual, and develop a standardized filing system. Although all of the senior staff received management training, the Executive Director received additional training focusing on developing time management and decision making skills, running meetings, and personnel/resource allocation decisions, among others. The results of this training were immediately perceptible, creating a more professional environment while increasing the administrative efficiency.

B. Systems Development

The Management Information System (MIS) was developed using the experience from the ASIF, though is now more sophisticated than the MIS at the ASIF. The main portion of the MIS was operational by July 1998, though continued to be refined through the end of the Pilot Phase. Significantly, the World Bank approved the MIS during their Appraisal Mission in October 1998 as satisfying the requirements necessary for use during the Main Phase. Additional refinements will continue over the course of the Main Phase to address changing needs.

The MSIF experienced severe difficulties in developing and finalizing a computerized accounting system that satisfied both the World Bank and Government of Moldova reporting requirements; the World Bank uses a cash method while the Government uses an accrual method for their reporting requirements. ACDI/VOCA and the MSIF decided to base the system on the World Bank requirements given the necessity of generating reports during the Main Phase, which is predominately financed by the World Bank. Financial reports to USAID were channeled through ACDI/VOCA; ACDI/VOCA received monthly reports from the MSIF and submitted financial information to USAID quarterly.

The MSIF, ACDI/VOCA and the World Bank initially expected to develop a specially tailored accounting system, called the Project Management Accounting System (PMAS), that would generate reports for both the World Bank and the Government of Moldova. However, the PMAS was only able to generate reports in the World Bank LACI system, and could not be adapted to the Moldovan standards. Accordingly, in August 1998, the MSIF purchased the accounting software package “1-C Contabilitatea,” a Russian version of Microsoft QuickBooks, to generate reports for the Government of Moldova. Efforts to link the two systems continued through December 1998 and the system was completely operational in January 1999. However, efforts to make the system more user friendly and reliable continued until March 1999. Tests in April 1999 using actual data proved that the system was fully operational and compliant with both the World Bank and Moldovan accounting and reporting standards.

In February 1999, KPMG Peat Marwick audited the MSIF financial records and accounting system. The auditors gave their unqualified Auditor’s opinion on the MSIF’s financial statements for 1998, saying, “in our opinion, the accompanying financial statements, which have been prepared on a cash basis, give a true and fair view of the Project’s financial position as at December 31, 1998. In addition, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditures incurred; and (2) which expenditures are eligible for financing under Financing Agreements.”

DESCRIBE COST-UNIT DATABASE DEVELOPMENT – mark will do

C. Community Capacity Building

The MSIF has a multi-tiered approach to building community capacity: regional, village and Implementing Agency.

Community capacity building began with conducting a promotion seminar in the target region. Working with the regional officials, all local officials (mayors, etc) and leaders of NGOs and social organizations were invited to attend a general presentation explaining the MSIF program. Immediately following the regional promotion seminar, MSIF conducted a “rapid needs assessment” of each village in the region to determine the level of poverty and organizational capability of the community. The MSIF developed poverty criteria to determine priority villages within the region to target for technical assistance (*see below*). Priority was given to villages assessed as having lower capacity and a weaker infrastructure.

Over the course of the project, the MSIF tested several sets of criteria to assess the level of poverty in a village. The final set, which will be used in the Main Phase, was developed in conjunction with the World Bank Appraisal Mission in October 1998. The criteria allow the

MSIF to more accurately target the poorest villages during promotion and provide follow-up technical assistance. The final poverty assessment criteria are:

- Percentage of socially vulnerable persons (elderly, children, etc.) within the population;
- Natural growth of the population over the last five years;
- Percentage of people with a potable water supply and natural gas;
- Local government per capita expenditures;
- Share of land per capita; and
- Relative isolation, measured in terms of the length of the shortest access road to either the national highway or a railway station.

Microproject proposals from villages identified as priority villages requiring technical assistance are also among the first proposals to be considered by the MSIF. Other villages which may have better capacity or less urgent infrastructure rehabilitation needs also have an opportunity to apply for microprojects, but their proposals are considered for appraisal only six weeks after priority villages are given the first opportunity. Microproject proposals for appraisal were further prioritized according to the availability of resources within the targeted district.

After completing the “rapid needs assessment” within the region, MSIF teams consisting of 1 engineer and 1 social scientist visited each village within the region to conduct a General Community Meeting (GCM) that presented and discussed the MSIF program and procedures and the need to work together as a community. Representatives from the Soros Foundation and UNICEF also participated in GCMs to discuss how their programs could be incorporated into microprojects. GCMs also elect an Implementing Agency, and identify potential microprojects.

To ensure fair representation and involvement of the community in deciding the proposed microprojects at GCMs, the MSIF requires that 30% of the adult population in the community participate in the GCM in order for the GCM to be valid. However, community participation was often lower than the 30% required, rendering a large portion of the GCMs invalid. The MSIF rectified this by revising the attendance requirements in large villages (see Section IV) and, starting in January 1999, by providing additional technical assistance to communities with weak organizational skills. The technical assistance included training on MSIF objectives and procedures, identifying social infrastructure problems, organizing a GCM, creating implementing agencies and developing microproject proposals. The result was an immediate increase in the number of GCMs conducted in a region, a higher percentage of valid GCMs and a higher number of microproject proposals received by the MSIF.

In order to provide this increased amount of technical assistance, the MSIF restructured the Microproject Department into 2 divisions: one for promoting and appraising microprojects and one for supervising microproject implementation and follow-up. The new divisions were created by separating the Promotion Unit from the Microproject Department and reassigning staff to the Institutional Support Department. The Institutional Support Department is responsible for coordinating all training, including training by and to staff, by consultants, and to villages. The MSIF also began using local consultants, members of the implementing agencies from completed or ongoing projects and representatives from UNICEF and the Soros Foundation. This approach had 2 effects: the use of Implementing Agency members

immediately established credibility for the MSIF while using the local consultants during the Pilot Phase helped train them for use during the Main Phase.

Although intensive promotion efforts were required during the Pilot Phase in order to generate microproject proposals and motivate communities to conduct GCMs, knowledge of the MSIF project and the organization's credibility is expected to encourage communities to generate their own microproject proposals independent of the MSIF.

After completing promotion activities in a region and providing additional training to targeted villages, the MSIF trained each of the Implementing Agencies created at the GCM. Implementing Agencies consist of a group of 5 or more people selected by the community to oversee development of the microproject proposal, collection of the community contribution, supervise construction, and develop a sustainability agency (or "users association"). Training topics included MSIF proposal procedures, budget preparation, ensuring sustainability of a microproject (each proposal must include a sustainability plan), the role of an implementing agency, fundraising, and developing users associations. During the Pilot Phase, the MSIF trained 210 Implementing Agencies, 39 of which were either collecting community contribution or supervising construction works at the end of the Pilot. In addition to training provided by the MSIF, 31 Implementing Agencies also received training on NGO management and development from the Moldovan NGO "Contact."

With the exception of one of the USAID-funded microprojects, each of the "users association" created after completing the microproject became a legally registered NGO and is managed as such to help ensure long-term sustainability and maintenance of the rehabilitated facility. During the Pilot Phase, the MSIF trained and helped create 24 NGOs around the completed microprojects whose objective is to sustain the microproject by mobilizing continued community financial and participatory support.

D. Capacity Building of Small Private Contractors

In addition to building the capacities of communities to implement MSIF and other community microprojects, the Pilot Phase of the MSIF built the capacity of small private contractors by increasing their familiarity with MSIF procedures and requirements, thereby facilitating construction works in both phases of the MSIF program. The MSIF conducted general training seminars for all potential contractors in each region during the promotion phase and then worked on an individual basis to clarify MSIF procedures and assist in the bidding process and project development. Despite this, the MSIF initially experienced difficulty with contractors submitting bids that were invalid because they did not follow MSIF (or western) procedures. However, this problem was resolved when the MSIF revised the documentation explaining the procedures and involved the Procurement Specialist in the regional training session.

Since the beginning of the Pilot Phase, 71 companies have bid on MSIF microprojects. The MSIF has intensively trained 57 contracting companies on the MSIF procedures and requirements for working on microprojects, 15 of whom have won contracts. Of these 15, 5 contractors have completed a MSIF microproject and successfully bid on a second; 3 contractors have won twice, and 2 have won 3 times. Significantly, participation in the MSIF was also responsible for the creation of 1 private contractor, who separated from a larger contracting company in order to be more competitive.

In addition to receiving training on MSIF procedures, contractors also received training on western building norms; all MSIF microprojects were constructed according to US and European building norms. As mentioned previously, Moldova is currently revising their norms and standards, but they will not be completed for several years.

E. Short-term Labor Generation

One of the MSIF's key objectives is to generate short-term employment in communities and among contractors. Recognizing that creating durable employment is a long-term prospect, the MSIF intended to initiate this process by generating short-term, labor-intensive employment opportunities, infusing cash into the local economy, building the capacity of the community, and training private contractors to stimulate an expanded local market. In order to comply with this employment generating objective, the MSIF required each proposed microproject to include a labor component equal to 20% of the total microproject cost. This requirement was only waived for gas and water projects, due to the lower amount of labor required to implement those types of projects.

During the Pilot Phase, the MSIF microprojects generated a total of 452 temporary jobs, of which approximately 136 were from the communities. At the USAID-funded microprojects, 283 temporary jobs were created, of which 91 were from the communities.

It is important to realize that the MSIF is a short-term program intended to encourage long-term sustainability by stimulating the private contractors market and improving the living standards of the poor. Although labor-intensive practices were used during microproject implementation, the microprojects themselves were not intended to generate long-term employment within the community, though the MSIF does provide employment for contractors for the duration of the project. The community members benefit by participating in the implementation process and by developing their own NGO or other form of sustainability agency. ACDI/VOCA and the MSIF expect that participating in the MSIF project will empower the communities to take charge of their situation and mobilize themselves to make improvements long after the actual microproject is complete.

F. Microproject Implementation

Originally, the Pilot Phase of the MSIF project was to work in 3 regions. However, in September 1997, the MSIF Steering Committee, USAID and the World Bank jointly increased the number of target regions during the pilot phase from three regions to six. Of these, the regions Soldanesti (north), Nisporeni (center), and Vulcanesti (south) were targeted first, with the understanding that the MSIF would expand into the additional three regions (Falesti, Criuleni, Stefan Voda) if implementation went well. In July 1998, the National Steering Committee, MSIF, ACDI/VOCA and the World Bank elected to further expand the number of regions during the Pilot Phase in July 1998 based on the MSIF's performance and the extended time Pilot Phase. The number of regions later increased as the final date for the Pilot Phase was pushed back and the MSIF began to conduct promotion activities in regions in preparation for the Main Phase. As the Pilot was extended, those regions were incorporated into the Pilot. By the end of the Pilot Phase, the MSIF had conducted promotion activities in 506 villages and received 223 microproject proposals from 13 regions. Of the 506 villages where the MSIF conducted promotion activities, 358 villages conducted General Community Meetings (257 satisfied SIF criteria) and 38 villages conducted referendums to identify

potential MSIF projects. *Table 1* (see next page) shows the number of GCMs conducted, proposals received and the status of the approved projects according to region.

Table 1
Microproject Status
(as of 5/31/99)

	No. of Village	Villages holding GCM	Villages holding Valid GCMs	No. of MP proposals	MPs approved for Appraisal	MPs approved for Implementation	Status of Approved MPs		
							MPs Collecting Contribution	MPs under construction	MPs Completed
Soldanesti	30	16	16	16	11	9	2	1	6
Vulcanesti	20	19	16	16	9	7	0	3	4
Nisporeni	45	23	22	21	13	11	5	3	3
Stefan Voda	28	18	15	11	7	6	2	2	2
Criuleni	46	32	23	29	15	9	8	1	0
Falesti	73	21	13	11	6	2	2	0	0
Dubasari	8	6	6	6	5	4	2	2	0
Cahul	35	29	17	15	7	3	3	0	0
Glodeni	33	29	20	15	7	3	3	0	0
Rascani	44	40	27	22	3	0	0	0	0
Singerei	65	63	29	14	1	0	0	0	0
Taraclia	26	20	20	17	4	0	0	0	0
Cantemir	53	42	33	30	10	0	0	0	0
Total	506	358	257	223	98	54	27	12	15

NOTE: GCM = General Community Meeting
MP = Microproject

The MSIF completed 15 microprojects during the Pilot Phase, 13 of which were in the initial 3 pilot regions, and there were 21,879 beneficiaries. USAID funded 10 of the completed microprojects and co-financed an eleventh microproject with the World Bank. At the USAID-funded projects, there were 14,069 beneficiaries. *Table 2* shows the status of the USAID-funded microprojects.

Significantly, MSIF microprojects are completed much quicker than the norm in Moldova and are of a higher than normal quality. Contractors attribute this to timely payments for services and materials as well as the higher quality standards required by the MSIF; the MSIF uses Western standards and norms. As an additional incentive to ensure quality, the MSIF withholds 10% of the funds until a MSIF engineer verifies the quality of the microproject and requires that the contractor repair any unsatisfactory works.

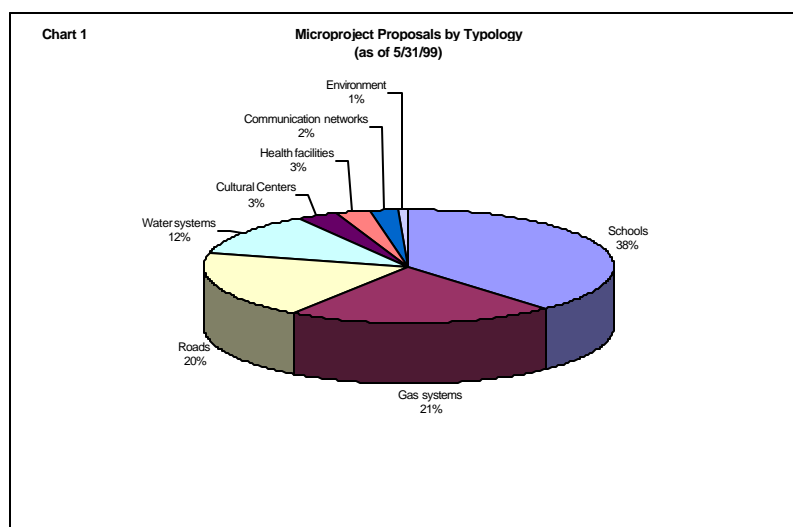
Table 2
USAID-funded Microproject Status Summary

Project	Region	Implementation Phase	Completion Date
Alexandru Ion Cuza	Nisporeni	Completed	Completed 4/99
Balauresti	Nisporeni	Completed	Completed 4/99
Calimnesti	Nisporeni	Completed	Completed 5/99
Cosnita	Nisporeni	Under construction	7/8/99 **
Cot	Soldanesti	Completed	Completed 10/98
Cusmirca	Soldanesti	Completed	Completed 10/98
Fuzauca	Soldanesti	Completed	Completed 11/98
Parcani	Soldanesti	Completed	Completed 12/98
Racesti	Soldanesti	Completed	Completed 8/98
Talmazza	Stefan Voda	Completed	Completed 1/99
Valeni	Vulcanesti	Completed	Completed 4/99

** NOTE: The Cosnita project was co-financed by USAID and the World Bank. USAID's involvement ended on May 31, 1999.

Additionally, the MSIF helped create and/or train 24 NGOs at the microprojects that are already complete or are currently under construction, 10 of which are at the USAID-funded projects; only the road rehabilitation project in Fuzauca does not have an NGO. The role of the NGO is to keep the population mobilized around the project, thereby promoting the project's sustainability. In the Main Phase, the MSIF will pilot 5 two-year performance contracts between MSIF and the beneficiary association. The contracts will be based on achievement of infrastructure maintenance and service delivery benchmarks. Beneficiary associations that successfully achieve their benchmarks and raise additional private funds from the community will be rewarded annually with a matching grant from the MSIF of up to \$500 per year to improve operations, maintenance and programming.

Since the projects selected by the MSIF are submitted by the members of rural communities, the types of proposed projects submitted to the MSIF can be viewed as an indicator of what the rural population identifies as the most pressing needs of the rural social infrastructure. Based on the microproject proposals submitted during the Pilot Phase, school projects are a clear strong top priority for communities (38%) with gas projects a second highest priority (22%). Road rehabilitation projects (20%) are a close third priority. (*see Chart 1*)



Gas and water projects proved to be the most problematic for the MSIF, both in implementation and ensuring sustainability. Microprojects completed early in the Pilot Phase proved that the MSIF staff required additional training in conducting technical analyses beyond existing norms and standards in projects involving environmental impact, drainage, and stabilization of roads, culverts and dikes. To rectify this, the MSIF received training on environmental impact assessment, analysis and mitigation and also on developing new norms and standards. Moreover, during the second portion of the Pilot Phase, the MSIF hired short-term specialists based on microproject type to guide the appraisal team in conducting more comprehensive technical analyses of the microproject.

One of the biggest issues involving gas projects concerned long-term sustainability and whether the community members could afford to pay for the gas once it was brought into a village. USAID funded 2 gas projects (Parcani and Talmaz) and co-financed the gas project in Cosnita. In addition to creating a user's association (and eventually a NGO), these projects required that 50% of the community contribution be paid in cash and that the gas fees for the first 3 months be paid prior to beginning project implementation. These measures were enacted to prove that the community had the financial resources to pay for gas services in the future.

Due to the various types of microprojects and the delay in collecting the community contribution, the MSIF decided to waive the 20% labor requirement for gas or water pipeline projects due to the relatively small amount of labor involved in these projects. Instead, the community is expected to pay a higher cash contribution (up to 100%), even though the value of the community contribution itself remains 15% of the microproject value. This has proven to be feasible because the entire community benefits from these types of projects, as opposed to microproject that primarily benefits a narrow portion of the community, such as a school rehabilitation project.

Section IV "Microproject Analysis" assesses the impact of each microproject and also reviews the problems encountered and lessons learned on a project basis.

G. Program Leverage

As part of the integrated approach to improving infrastructure problems, and given the narrow focus of the MSIF on rehabilitating existing infrastructure facilities, the MSIF leveraged other donor programs in Moldova to enhance the impact of the microprojects and provide additional resources for the communities in resolving their problems. Early in the Pilot Phase, the MSIF concluded Memorandums of Understanding with the UNICEF Early Childhood Individualized Education program and the Soros Foundation Step-by-Step program. Under these agreements, both organizations will attempt to work with any MSIF microprojects involving rehabilitating schools.

Through the Soros Foundation's Step-by-Step program, schools can receive child-friendly furniture and specially tailored curriculums (through the fourth grade) to enhance learning, in-service training of teachers and school administrators in implementing the new program, and training on organizing Parent Teachers Associations (PTA). This program was implemented at each of the school microprojects completed during the Pilot Phase. The Soros Foundation has also committed \$105,000 for continuing this collaboration during the first year of the Main Phase.

The UNICEF Early Childhood Individualized Education **Project?** targets children aged 0-7 years in kindergartens in district cities with the goal of building new capacities – both human and material – which would make the society and family more responsible for the health, development and social integration of small children, as well as to produce changes in their behavior. Because the Pilot Phase did not work in district cities, the MSIF made an exception to the standard policy to work in the city of Soldanesti in order to test this relationship. Work was still on-going at the end of the Pilot Phase and is expected to continue in the Main Phase.

The MSIF also reached a mutual agreement with the Moldovan NGO "Contact" to provide training the Implementing Agencies of MSIF microprojects. Contact received TACIS funding in 1998 to conduct NGO development training throughout Moldova for several years. By leveraging Contact's formal training with the training provided by MSIF staff to Implementing Agencies, the MSIF hopes to further ensure the sustainability of the microprojects.

The MSIF also explored opportunities of working with the US Peace Corps. Several attempts were made to link English-teaching Peace Corps Volunteers with MSIF microprojects. Initial placements were not possible due to the Peace Corps placement schedule and the lack of existing English teachers in the communities; Peace Corps will only work to enhance and improve the capacity of an existing program. However, the MSIF hopes to incorporate Peace

Corps Volunteers into future microprojects. The MSIF was successful in using the skills of a Peace Corps Volunteer for 3 months in 1998 to increase the emphasis on community capacity building. Peace Corps Volunteer Jason Scarpone worked with the MSIF from March 1998 to July 1998. Scarpone had a strong NGO development background and helped train the MSIF on community capacity building and worked with both the MSIF and local communities on developing Parent Teacher Associations as well as other types of users associations. ACDI/VOCA was unsuccessful in its efforts to hire Scarpone as a long-term advisor to the MSIF on this issue.

The MSIF also concluded an agreement with the Swedish International Development Cooperation Agency (SIDA) to provide \$1 million to implement a child social development and deinstitutionalization program during the Main Phase. The program will finance innovative microprojects to address the problems associated with deinstitutionalization of children and the evolving problems of children caused by economic or social dislocations, including parental neglect. The target beneficiaries will be children with special needs and adult-care providers of children. At the end of the Pilot Phase, the MSIF was considering six microproject proposals for eligibility under this program.

IV. MICROPROJECT ANALYSIS

The microprojects completed during the Pilot Phase, although beneficial to the communities, were also learning tools for the MSIF staff. Through the microprojects, the staff learned the MSIF procedures, experimented with new methods of implementation, identified problems with the microproject cycle or weaknesses and flaws in the procedures, and also identified areas for additional training. Accordingly, this section will discuss both the microproject's impact within the community and the "lessons learned" for the MSIF staff in implementing the microproject. A more detailed impact assessment of each completed microproject is attached as Attachment 5. A general overview of the results of the impact assessment is discussed in Section VI "Project Accomplishments."

A. Soldanesti Region

1) Rachesti (school rehabilitation):

The Rachesti project was the first microproject completed by the MSIF and has become one of the model microprojects used to showcase MSIF procedures and results. Both the Implementing Agency and local government are receptive to MSIF procedures and proactive in implementing the program. Approved in January 1998, construction began in May and was completed in mid-August 1998. The formal hand-over ceremony was held on August 31, 1998, one day prior to the first day of school and after the Government of Moldova donated 50,000 lei (approximately \$10,000) in furniture. The village created the "Lumea Noua" ("New World") Parents and Teachers Association (PTA) and the school is using the curriculum and classroom designed by the Soros Foundation's "Step by Step" program.

Follow-up visits to the project show that working groups consisting of community members started to collect books for the school library and are actively maintaining the school grounds. Unfortunately, the PTA was not successful in organizing a reserve fund for teachers and, like other rural schools, the teachers at the Rachesti are striking over unpaid wages. To help rectify the shortage of funds, the PTA and school leadership are organizing a training center at the school for training local businesses. The PTA received a \$50,000 grant from the Eurasia Foundation to establish the center and will use the proceeds to help create a reserve

fund to address emergencies such as this one. The community has also used Peace Corps Volunteers to help landscape the village. Significantly, the school director told the MSIF that cooperating with the SIF and rehabilitating the school raised the self-confidence of the community and helped mobilize them towards addressing these problems.

Since the Rachesti project was the first completed microproject, the community has had more time to develop and pursue initiatives in sustaining the project. However, it is symbolic of the types of activities encouraged by the MSIF during their training sessions and can demonstrate the willingness of the communities to resolve their own problems.

However, since the Rachesti microproject was the first one completed, it was also the first to demonstrate flaws or problems within the microproject cycle, principally during the Appraisal Process and during community contribution. During the Appraisal Process, the delay was caused by a Moldovan law that requires approval by a licensed inspector of the project site and the blueprints. This created a month-long Technical Appraisal before the Executive Committee could approve the microproject for implementation. **CHECK WITH SIF - DON'T REMEMBER HOW THIS WAS RECTIFIED? PLANNING?**

The microproject in Rachesti also illustrated the problem with collecting the community contribution (15% of microproject value). After the Technical Appraisal is complete and the microproject receives Provisional Approval, the SIF requires that the community collect the cash portion of the contribution (20% of the contribution) prior to receiving full Approval and opening the project for bidding by local contractors. This delayed microprojects implementation for up to one month as communities struggled to collect the necessary amount of cash. This problem continued throughout the Pilot Phase (see section V A "Community Contribution Collection).

An additional cause of the delay was the inexperience of the local contractors. In the case of the microprojects in Rachesti and Cot, the contractors failed to correctly complete the bidding documents; they either did not complete the documents or submitted the unit costs in Soviet rubles (as stipulated by normal Moldovan construction practices). The MSIF corrected this by making the instructions on the documents clearer (in bold) and heightened the emphasis on these areas during the pre-tender meeting (contractor's training). These efforts successfully repaired the situation as future bids from contractors were, for the most part, completed correctly. The problem was further eradicated by increasing the number of contractors working with the MSIF and becoming familiar with MSIF procedures.

2) **Cot (soil erosion prevention):**

The main objective of this project was to repair the village's main road that was made impassible by a ravine created by severe water runoff. The ravine also threatened several nearby homes as it expanded. Although the project was completed in October 1998, the Cot project experienced significant delays due to weather conditions (heavy rains in summer and fall) as well as the extreme isolation of the village. Additionally, as mentioned above, the MSIF also experienced difficulty with the contractor. By the end of the project, the Implementing Agency in Cot had transformed itself into an NGO to supervise maintenance of the road.

The Cot microproject highlighted the need for additional training of the MSIF staff in incorporating environmental concerns into all aspects of the microproject. Although the staff is quite skilled at identifying the environmental measures immediately associated with

designing and implementing a microproject, they do not understand the broader implications of their actions. In the case of Cot, the original plan for the microproject did not require the contractor to recultivate the quarry used to provide the fill for the ravine. After a site visit by the World Bank and ACDI/VOCA, the plan was modified to incorporate recultivation of the quarry into the project. Additionally, a World Bank consultant provided training for the MSIF staff on environmental concerns and provided an “Environmental Checklist” to help the MSIF staff identify potential environmental problems during microproject design and implementation. Recultivation of the quarry was also delayed by weather, but was finally finished in May 1999.

The Cot microproject was one of the more ? projects completed by the MSIF during the Pilot Phase. In addition to the environmental concerns mentioned above, the project also required an analysis of water flow from the surrounding hills and the development of a complex drainage system. Due to the complexity of the system, the microproject was designed to be implemented in 2 stages. The first stage, which was completed during the Pilot Phase, involving filling the ravine and constructing a concrete drainage chute to channel the large amount of runoff off of the road and into the nearby river. Originally scheduled to start in May 1999 to allow the fill in the ravine to settle, the second stage involves construction of a drainage pipe under the road and connecting to the drainage chute; the current runoff runs over the road via a temporary shallow grade incline constructed during stage one. Follow up visits show that the community is not aware of the second phase of the project and, not realizing that some of the completed works are temporary, are disappointed by the seemingly poor quality of work. They are further frustrated by the delay in implementing the second stage of work. **CHECK WITH SIF – WHAT IS HAPPENING NOW? WHY DELAYED?**
Should end positively

3) **Fuzauca (bridge repair):**

The construction works at Fuzauca entailed repairing 3 culverts and re-building small bridges over the culverts. Prior to completing the microproject, the village was often cut off from neighboring villages during heavy rains due to flooding over the roads.

The Fuzauca project highlighted the need for the MSIF staff to receive additional training on assessing microproject sustainability and learn new methods of stabilizing roads, culverts and dikes. Although easily repairable, the initial project plans did not allow for sufficient drainage of water upon exiting the culverts and the contractor did not sufficiently stabilize the foundation around one of the bridges. This was quickly rectified with advice from a World Bank consultant and local consultants.

CHECK WITH SIF – WHEN WAS FORMAL HANDOVER CEREMONY??

The Fuzauca microproject is the only microproject completed during the Pilot Phase that did not create an NGO as a sustainability agency. Part of the reason for this seems to be a strong “soviet” mentality throughout the village – the villagers continue to expect the central and local governments to resolve their problems, despite working with the MSIF. Follow-up visits to the microprojects found that the community members did not know the source of funding for the microproject and were angry that they were asked to contribute towards the project. However, 100% of the respondents interviewed during follow-up visits found the quality of the completed works to be “good” or “excellent.”

4) **Cusmirca (polyclinic rehabilitation):**

The Cusmirca project entailed rehabilitating a former school building into a small health clinic. The building was used as a school until 1982 when the village turned the building into an ambulatory clinic. In 1993, the village started to renovate and repair the clinic, but lacked sufficient funds to complete the project, causing the village to host medical services in two rooms of the village's community center and in one room of the village hostel. Construction works included replacing the roof, reconstructing the interior, and repairing/replacing the water supply, sewage, electricity and heating systems.

The formal hand-over ceremony was held on October 10, 1998. The community created an NGO called "Renasterea" (or "Rebirth") to work with the village to collect the necessary funds to maintain the renovated clinic and to oversee the implementation of the planned health protection training programs. The MSIF is also attempting to interest SIDA in providing additional funding for health-related programs at the clinic. **DID THIS HAPPEN?**

Significantly, the project in Cusmirca represents the first occurrence when a community successfully opposed the wishes of the mayor in selecting a project; the mayor wanted to use MSIF funding for a gas project while the community selected (by voting) the clinic. Follow-up visits to the project during construction and after completion indicate that the mayor is very supportive of the project and recognizes the value of the procedures used. They also show that the community is now more likely to work together to resolve their problems and contribute as an individual towards solving the community's problems. Moreover, more than half of the community increased their support for the local authorities after completing the microproject. Finally, the community as a whole thought that the MSIF procedures achieved the best results and plans to use competitive bidding procedures in the future.

Follow-up visits also revealed the quality of the microproject was rated as satisfactory. Initially, the work at the facility was rated very highly by the community. However, the interior of the building developed mold, probably caused by temperature fluctuations. The village suffers from frequent power outages, which in turn affects the electrical pumps in the boiler room, thereby causing temperatures to fluctuate.

ARE VILLAGERS USING FACILITIES? WHAT IS VILLAGE AND/OR SIF DOING ABOUT MOLD?

5) **Parcani (gas supply):**

The Parcani project laid 2 kilometers of pipeline from the central distribution station to the village's kindergarten and adjacent homes. The project also installed gas meters at each of the recipient's home. In the future, the gas line will be extended to other sections of the village, thereby bringing gas to the entire village. Work at the Parcani project was completed on December 24, 1998 and the community created the NGO "Parcani" to collect the necessary maintenance funds and gas fees.

It was during the implementation of the gas project in Parcani that the MSIF became aware of the sustainability issues raised by gas projects. Like the projects in Cot and Fuzauka, the Parcani project highlighted the need for increased training of MSIF staff, especially engineers, so that they could identify potential issues, such as sustainability or environmental concerns, during the Appraisal stage. Follow-up after project completion showed that although the MSIF was successful in connecting the school to the central gas line, frequent electrical shortages prevented adequate and regular heating of the school; electricity is used to the pump the water heated by the gas through the radiators in the school. Moreover, widespread connection by the villagers to the gas line is progressing much slower than

planned due to the higher than expected costs per household to connect to the gas line. **HOW IS SIF/VILLAGE ADDRESSING THIS???** This led to the majority of the population seeing no real improvement in service delivery and only weak support for the accountability of the local authorities, with only a slight improvement after completion of the microproject. However, the villages strongly support the government's actions during the microproject implementation and believe that the government will continue to act to promote long-term sustainability.

Despite this, the majority of the community members are more willing to work together to solve their problems after completing the microproject and all of the interviewed villagers are willing to contribute as individuals towards resolving the community's problems.

B. Vulcanesti Region

1) Valeni (water supply system):

Prior to working with the MSIF, water was hauled into the village and transferred into cisterns outside of each home for use. The project called for repairing approximately 1 kilometer of existing pipeline, replacing approximately 500 meters of pipeline and drilling a new well for the village.

The Valeni project initially experienced delays during the contracting process because of questions pertaining to the use of state-owned contracting agencies; there are only 3 contractors licensed to dig artesian wells and all have at least partial state ownership. Ultimately, the MSIF selected the lowest bid on the project. However, the project was further delayed when the contractor refused to sign the contract because of the high cost associated with the bank guarantee required for all MSIF projects. The MSIF subsequently contacted the second lowest bidder, but this bidder was unable to complete the contract. Accordingly, the MSIF re-opened bidding on December 31, 1998. Work was ultimately completed in April 1999 and the community organized an NGO to ensure sustainability of the system and collect fees.

Follow-up visits to Valeni found the villagers frustrated over the apparent failure of the newly rehabilitated water system to provide water to the village. Although the system itself is sound, the village does not **have** the electricity to operate the system; the electricity was turned off until the mayoralty pays 9,000 lei (approximately \$900) in debts. Accordingly, approximately half of **the** villagers do not feel that the local authorities or Implementing Agency took sufficient action during microproject implementation and will not promote long-term sustainability. Accountability for the local authorities did not increase as a result of the microproject.

Based on the negative experience to date, more than half of the villagers do not expect to work together to resolve their problems and are not willing to become more involved as individuals.

NOTE: the village was able to pay off the debt after the assessment was conducted and electrical service resumed on August 8. However, the electricity is on for less than 6 hours each day and is insufficient to allow immediate water supply to villagers.

C. Nisporeni Region

1) **Balauresti (school rehabilitation):**

The school in Balauresti was built in 1958 and was in poor condition. The project called for replacing the roof and windows, replacing the floors and ceilings in several classrooms and rebuilding the school's outhouse. The project experienced significant delays because of winter conditions, but was completed at the end of April. The Implementing Agency organized itself into a Parent-Teachers Association and expects to be very active.

Follow-up visits to Balauresti show that throughout the microproject implementation, three-fourths of the community approved of the local authorities role and believe that the local authorities will continue supporting the school in the long-term. A majority of the villagers (81.3%) contend that the local authorities accountability improved after the microproject. The PTA was only recently legally registered and has not officially begun operations. We anticipate the PTA to become more active since registration.

Significantly, all of the villagers believe that the level of services provided has improved while a clear majority (95.7%) believe that conditions are better than before the microproject work. A majority of villagers (75%) also believe that the community is more likely to work together in the future to resolve problems and are also willing to become involved as individuals (94%).

2) **Alexandru Ion Cuza (school rehabilitation):**

The school in Alexandru Ion Cuza required major renovations. However, given the \$50,000 grant ceiling at the MSIF, the Implementing Agency proposed repairing only the most crucial area, namely, building B of the complex. Building B houses the gymnasium, cafeteria and auditorium. Work entailed replacing the roof over the entire structure, repairing the floor and walls of the gymnasium, and repairing the walls of the cafeteria and auditorium. Construction at the project was also delayed by winter conditions, but the project was completed at the end of April. The community created a Parent-Teachers Association called "Cutezatorii" and is participating in the Soros Foundation Step-by-Step program.

Follow-up visits to the project found the community mostly satisfied with the results of completing the microproject, though did not seem to understand why only part of the school was rehabilitated. The MSIF will improve its efforts to better inform communities of the components of a microproject once it is approved.

Overall, the microproject was successful. All of the villagers interviewed are satisfied with the work by the Implementing Agency and local authorities during the microproject implementation and all are satisfied with the efforts by the PTA and local authorities to ensure sustainability. Most of the villagers (89%) also claim that the accountability of the local authorities increased after the microproject.

Significantly, all of the villagers interviewed contend that services improved after the microproject and that conditions are better now than before starting the rehabilitation. A vast majority (90%) of the community members also feel that the community is more willing to work together to resolve problems and are also willing to contribute on an individual basis.

3) **Calimnesti (school rehabilitation):**

The project in Calimnesti was a relatively small microproject. The school building was constructed in 1986, but the roof and several windows needed to be replaced. The workplan also called for repair to the school's exterior and replacing the boiler. Construction at the

Calimnesti project did not begin until January 1999 because of delays in the appraisal phase while revisions were made to the original microproject plans, including repairing the boiler and including additional minor renovations inside the school building (paint, new ceiling lights, etc.). The formal hand-over ceremony of the Calimnesti project occurred on June 3, 1999 and a PTA was established.

Follow-up visits show that the Calimnesti community is very supportive of the microproject and that it had positive results overall. Over 90% of the villagers contend that the Implementing Agency and local authorities strongly supported the project during implementation and that the PTA and local authorities have taken the appropriate actions towards ensuring long-term sustainability. More than 90% of the villagers interviewed also thought that the local authorities' accountability improved after the microproject. Moreover, a majority of the community rates the work quality highly.

All of the villagers interviewed said that the services provided improved after the microproject, though only 88% felt that conditions were better than before beginning the rehabilitation. A definite majority feel that the community members are more willing to work together to resolve problems (75%) while 94% are more willing as individuals to contribute towards solving the community's problems.

4) **Cosnita (gas supply project):**

The Cosnita project was co-financed by USAID and the World Bank. Work began at the end of April and is expected to be completed in mid-July. Data is currently unavailable.

D. Stefan Voda Region

1) **Talmaz (gas supply project):**

INSERT PROJECT SUMMARY FROM APPRAISAL REPORT

After experiencing delays due to winter conditions, the Talmaz project was completed on January 20, 1999 and the formal hand-over ceremony occurred on May 17. The community in Talmaz created the NGO "The Flame" to promote the sustainability of the project.

Follow-up visits to Talmaz show that the community is very supportive of the microproject and that it had positive results overall. All of the villagers interviewed contend that the Implementing Agency and local authorities strongly supported the project during implementation and that the PTA and local authorities have taken the appropriate actions towards ensuring long-term sustainability. All of the villagers also considered the accountability of the local authorities improved after the microproject. Moreover, a strong majority (97%) of the community rates the work quality highly.

Most of the villagers interviewed (91%) said that the services provided improved after the microproject, while 88% felt that conditions were better than before beginning the rehabilitation. A definite majority feel that the community members are more willing to work together to resolve problems (94%) while 94% are more willing as individuals to contribute towards solving the community's problems.

V. PROBLEMS ENCOUNTERED, SOLUTIONS & CHANGES MADE

The discussion below will discuss long-term problems and significant changes within the MSIF program during the course of the Pilot Phase. Specific and more short-term issues are described in the quarterly report.

A. Community Contribution Collection

Throughout the Pilot Phase, the collection of the community contribution created severe delays in microproject implementation. The community contribution is valued at 15% of the microproject value. After the Technical Appraisal of the microproject is complete and the microproject receives Provisional Approval, the SIF requires that the community collect the cash portion of the contribution (20% of the contribution) prior to receiving full Approval and opening the project for bidding by local contractors. This delayed microprojects implementation for periods of one month or longer as communities struggled to collect the necessary amount of cash.

The main cause for the slow collection of the contribution is the poverty of the villages; the MSIF targets the poorest villages. ACDI/VOCA and the MSIF considered reducing the amount of community contribution required, but felt that this would decrease the community “buy in” to the project and decrease the level of long-term commitment. Significantly, the results from a May 1999 World Bank assessment team supported this decision after interviewing community members at 12 random microprojects. In each case, the communities contended that the mandatory contribution considerably contributed to project ownership and enhanced chances for continued post-investment maintenance and operation. (see Attachment 3 – the June 23 report from World Bank)

Instead of changing the level of required contribution, the MSIF worked with communities beginning with the initial visits by the promotion teams to explain to the population various ways to determine their contribution and describe successful examples from the experience of other communities. They also included members of Implementing Agencies from current or finished projects to describe methods used on that particular project as examples. Although this did not completely resolve the problem, collection rates did increase slightly, though continued to be the main obstacle in starting microprojects.

Another reason for the slow collection rate is the *inertia of the population and the mistrust in the objectives of the MSIF. Villages* do not believe that the MSIF will actually fund projects. To address this issue, the MSIF intensified technical assistance to the most passive villages and increased the exposure of the MSIF’s activities in the press. Over time, as the reputation and visibility of the MSIF improves through the nation-wide expansion during the Main Phase, the MSIF expects that the mistrust by villagers will decrease.

(NOTE: as a result of the World Bank Mission in June 1999, the MSIF will modify the cash contribution requirements based on population to make the per person contribution more equitable between small and large villages.)

B. Low attendance at General Community Meetings

General Community Meetings (GCMs) are an important first step in mobilizing the community, electing an Implementing Agency and selecting a microproject that is identified as a high priority by a representative proportion of the community. In order to ensure fair representation and support for a selected micoproject, the MSIF required that 30% of the community’s adult population attend the GCM. However, communities often did not achieve

this level of attendance, causing the Implementing Agency to conduct a referendum to select the microproject and delaying the submission of microproject proposals.

To increase the participation level, the MSIF improved its promotion methods, encouraged communities to reschedule meetings if insufficient numbers attended the first meeting, and revised the percentage of required attendees in large villages. This last solution was for practical reasons: very few communities have a sufficiently large meeting space for one third of the adult population. Accordingly, the new requirements for attendance in large villages vary according to population size. In communities with populations under 2,000 inhabitants, 30 percent of the adult population of the village should attend. In communities with populations over 2,000 inhabitants, Meetings of Representatives are organized, in which a proportion of the adult population of the village should be present. For villages with 2,001 to 4,000 inhabitants, 15 percent of the adult population should attend. For villages with 4,001 to 6,000 inhabitants, 10 percent should attend. And for villages with over 6,000 inhabitants, 5 percent should attend. **NOTE:** for large villages holding Meetings of Representatives, the Implementing Agency also conduct referendums, in which all the adult population of the village will participate.

Recognizing that the poorest villages are often the least organized, the MSIF also initiated a technical assistance program oriented at the least organized villages. Accordingly, after conducting regional seminars in regions, the MSIF selected additional villages in these regions to receive additional intensive training (2 weeks in each region) on:

- MSIF objectives, procedures and accomplishments to date;
- Identifying social infrastructure problems;
- Organizing a General Community Meeting;
- Creating implementing agencies;
- Developing proposals and budgets for the MSIF;
- Collecting community contribution (or community investment)

This resulted in a significant increase in the number of villages familiar with MSIF procedures and in the number of GCMs conducted (85% of the villages in a region were conducting GCMs at the end of the Pilot Phase). However, attendance continued to be low, though the ratio of valid GCMs increased from 52% to 67% during the last quarter of the Pilot Phase. Since it is too soon for this increase to be a conclusive indicator, the MSIF will continue to monitor this problem and modify attendance requirements if necessary.

C. Insufficient technical skills of MSIF engineers

Microproject appraisal requires a complex set of analyses for which Moldovan professionals, including the MSIF, have not traditionally been prepared. Although every effort was made to hire the most highly skilled civil engineers as staff, the MSIF engineers often lacked sufficient backgrounds in areas such as environmental impact, western norms and standards, assessing the complex variables involved with water and gas projects, and incorporating and understanding long-term solutions (especially relevant in water projects). MSIF microprojects often suffered from this lack of previous training during appraisal and construction.

To compensate for the lack of previous training, World Bank-funded consultants provided training on community development, appraising environmental impact and on the challenges

involved with providing healthcare to rural areas. World Bank consultants also trained the Microprojects Department staff on assessing and developing building norms and standards. The MSIF also began hiring local short-term specialists during the second portion of the Pilot Phase to guide the appraisal team in conducting more comprehensive technical analyses of the microproject.

The World Bank plans to provide additional training to the MSIF engineers during the Main Phase to further develop their skills, leading to more accurate assessments of proposed microprojects during the appraisal process, improved and more realistic microproject proposals, and improved sustainability of microprojects.

D. Dual Accounting System is required

Initially, ACDI/VOCA proposed establishing a single accounting system capable of accurately tracking expenditures and generating reports for all donors and the Government of Moldova. However, because of incompatible reporting requirements between the Government of Moldova and World Bank, the MSIF installed a World Bank-designed system capable of generating LACI reports and a local accounting software package, "1-C Contabilitatea," to generate reports for the Government. (see detailed discussion above in Section II B "Systems Development")

E. Initial organizational structure and level of staffing insufficient to provide increased technical assistance to poor villages

As discussed above in Section V B "Low attendance at General Community Meetings," the MSIF increased the level of technical assistance provided to poor villages identified as poorly organized in order to more thoroughly explain MSIF procedures and objectives as well as the necessity of working together as a community. To accomplish this, the MSIF restructured the Microproject Department to create a new department, the Institutional Support Department, and hired an additional 16 local consultants to work with the targeted villages. The new department is responsible for thoroughly appraising the poverty level and organizational capacity of villages and providing any necessary technical assistance.

F. Initial organizational structure and level of staffing insufficient to meet administrative needs

In order to address the higher than expected administrative needs, the MSIF hired a MIS Assistant, a Microproject Assistant to support the Microproject Director, an Accountant/Cashier and a Training Specialist to serve as an assistant in the Institutional Support Department. The MSIF intends to complement the skills of its staff members with temporary consultants with specialized backgrounds on an as-needed basis.

A new Organization Chart for the MSIF, developed during the World Bank Appraisal Mission in September 1998, is attached as Attachment 4. To make the MSIF more cost efficient, the World Bank and the Government of Moldova re-classified the engineers, social scientists, and assistants as long-term consultants, rather than full-time employees. The Department Directors, secretary and computer support personnel remain full-time employees.

G. Inexperience in working under winter conditions

In the winter of 1998-1999, MSIF microprojects experienced severe delays due to winter conditions, resulting in a no-cost extension to allow sufficient time to complete the microprojects. Winter conditions disrupted electrical service, slowed the rate at which plaster, paint and cement dried, made travel and transportation difficult, and shortened the length and number of workdays; on days when the temperature is minus 10 degrees Celsius, the workers could not work either outdoors or in unheated conditions. The MSIF engineers and the contractors originally did not consider these variables in their workplans and planned to continue working throughout the winter.

Based upon the experience learned during the winter of 1998-1999, the MSIF will analyze types of work and microprojects that can be completed during winter prior to the winter of 1999-2000 so that implementation does not suffer again.

H. Government Support

In general, the Government of Moldova was highly supportive of the MSIF and the project's activities, as witnessed by the quick creation of the MSIF as a legal entity, making the MSIF and contractors working on MSIF microprojects exempt from VAT, providing office space and paying for utilities. However, despite both written and verbal assurances, the Government of Moldova did not provide all of the in-kind support to the MSIF promised during the Pilot Phase as part of **World Bank's conditions** due to a shortfall of funds in the national budget. The World Bank will continue to pursue this issue during the Main Phase.

In early June, and after ACDI/VOCA ended its involvement in the project, the Ministry of Construction began criticizing the quality and selection of the private contractors used by the MSIF and the quality of accomplished works. A World Bank specialist followed-up on this criticism and, after evaluating 12 microprojects, found that the works are of high quality, the costs are 10-25% lower than standard state estimates and the works **were** completed in less time than usual for Moldova. ACDI/VOCA assumes that this is an attempt by the Ministry to circumvent the competitive nature of the bidding process. The MSIF will meet with the Minister of Construction and organize a nationally televised seminar involving the representatives of completed microprojects to prevent Government intervention in MSIF procedures.

VI. PROJECT ACCOMPLISHMENTS

This section is divided into two parts. The first presents the status of deliverables promised in the cooperative agreement. The second provides an overview of the results of an impact assessment conducted in the villages completing USAID-funded microprojects.

A. Status of Deliverables

OBJECTIVE	RESULT
<p>1. Establish an administrative unit with the capacity and expertise to implement 100 to 200 microprojects annually during the Main Phase</p> <p>(Note: the level of microprojects targeted during the Main Phase was reduced to 75 to 100 microprojects annually during the early part of the Pilot Phase and finalized during the December 1998 negotiations)</p>	<ul style="list-style-type: none"> • The pilot MSIF staff were approved by the World Bank and the Government of Moldova during negotiations for the Main Phase in December 1998 • The organizational structure was modified to meet program and administrative demands during the Pilot Phase. The final structure was approved in December 1998. • The funding agreement between the World Bank and the Government of

	Moldova for the \$15 million in loan funding for the Main Phase was signed on March 17, 1999 and approved by the Moldovan Parliament on June 3, 1999
2. Develop an Operational Manual outlining procedures for administration, procurement, microproject selection, appraisal and implementation.	<ul style="list-style-type: none"> The Operational Guidelines were completed in July 1998 and became the Operational Manual for use during the Main Phase. The Handbooks for Microproject Promotion, Appraisal, and Follow-up as well as the Finance and Administration Manual were completed in July 1998. All manuals and accompanying documentation were approved during the December 1998 negotiations for the Main Phase.
3. Develop an accounting and financial management system for the MSIF that will accurately and efficiently track expenditures	<ul style="list-style-type: none"> Financial and accounting system installed and tested by April 1999 and is fully compliant with World Bank and Government of Moldova standards. The World Bank-designed "Project Management and Accounting System" (PMAS) will be used to generate reports for the World Bank (on a cash basis) while a local accounting system, "1-C Contabilitatea," will be used to generate reports for the Government (on an accrual basis). KPMG Peat Marwick audited the MSIF system and financial records through December 1998 and gave it their "unqualified auditors opinion," finding no problems with the system or record keeping.
4. Develop a management information system to track microproject implementation	<ul style="list-style-type: none"> The main portion of the MIS was operational by July 1998, though continued to be refined through the end of the Pilot Phase. The World Bank approved the MIS during their Appraisal Mission in October 1998 as satisfying the requirements necessary for use during the Main Phase. Additional refinements will continue over the course of the Main Phase to address changing needs.
<p>5. Build the capacity of ten to fifteen communities to prepare sustainable infrastructure microprojects, manage or implement the construction works and maintain these facilities.</p> <p>6. Work with these communities to develop an integrated approach to resolving community infrastructure problems that will contribute to the community's sense of ownership of the facility.</p>	<ul style="list-style-type: none"> 15 microprojects completed during Pilot Phase with 21,879 beneficiaries. Of these, 10 projects were funded by USAID (and 1 co-financed with World Bank) with 14,069 beneficiaries. An additional 12 microprojects were under construction at the end of the Pilot Phase. 39 villages currently have active Implementing Agencies (i.e. those villages that are currently collecting the community contribution or supervising construction works) and 210 Implementing Agencies (886 people) were trained. Topics included the role of an Implementing Agency, writing proposals, drafting budgets, creating sustainability agencies, management, and MSIF procedures. MSIF staff trained 177 Implementing Agencies, Contact trained 31, and ICA-Associates trained 2. The MSIF conducted promotion activities in 506 communities in 13 regions. 358 villages conducted 399 General Community Meetings, of which 257 were valid. An additional 38 conducted referendums. 24 NGOs were created from Implementing Agencies with assistance and/or training from the MSIF and/or its partners as a long-term measure of ensuring an integrated approach to resolving community infrastructure problems. 10 of the USAID-funded projects have an NGO, including the project co-financed with the World Bank, to ensure sustainability and to keep the community mobilized. Only the road project in Fuzauca does not have an NGO. Long-term relationship formed with Moldovan NGO "Contact," who will provide training to implementing agency members on NGO management. By the end of the Pilot Phase, Contact had trained 31 Implementing Agencies (99 people). MOUs were signed with the Soros Foundation and UNICEF to provide early childhood education training materials to participating communities. This will continue in the Main Phase.
7. Strengthen the capacity of local contractors to benefit from the contracts financed by the MSIF.	<ul style="list-style-type: none"> 57 private contractors trained in MSIF bidding and operating procedures. Of these, 15 contractors have successfully completed one microproject and successfully re-bid on additional MSIF projects (5 have won more than once). Of the 57 trained, 32 contractors also received additional targeted training on working with the MSIF.

	<ul style="list-style-type: none"> As a result of working with the MSIF, one private contractor was created after splitting off from a larger – and less competitive – contractor.
8. Generate employment through financing of labor-intensive construction works.	<ul style="list-style-type: none"> 452 temporary jobs were created, of which approximately 136 were from communities. At the USAID-funded projects, there were 283 temporary jobs created, of which 91 were from the communities.

B. Impact Assessment Overview

In July 1999, the MSIF conducted an impact assessment of the 11 microprojects that used USAID funds. The assessment used focus groups and individual interviews to survey 335 people, including 281 villagers and 54 members of Implementing Agencies, Sustainability Agencies or local authorities. The detailed results and anecdotal information are presented in Attachment V. **CHANGE THESE NUMBERS AFTER RECEIVE REVISED IMPACT ASSESSMENT REPORT FROM SIF – REMOVE WORLD BANK PROJECT**

Significantly, all of the people directly involved with implementing the microprojects (members of Implementing Agencies and Sustainability Agencies and local authorities) plan to use competitive bidding as a tool for implementing similar projects. Similarly, the same individuals all plan to involve the local population as much as possible in village activities. As can be expected, villagers who were not directly involved with implementing the microproject – and who did not receive the training targeted at Implementing Agencies – were not familiar with MSIF procedures except for the identification of the problem by the community.

Overall, the microprojects and the implementation process had a positive effect on the communities. Most of the assessment participants (83%) rated the quality of work highly at the time when the microproject was “handed-over” or completed. However, only 69% had the same opinion several months after the microprojects were completed. This is clearly due to the external factors mentioned above in Section IV and over which the MSIF had no control. The MSIF will take these factors into consideration during the microproject appraisal stage and address them more thoroughly.

Most of the participants (83%) also stated that the quality of services delivered to the community improved after implementing the microproject and 74% of the participants contend that conditions are better in the community than before the microproject.

Based on the survey, and combined with the promises by local leaders to promote more community involvement in village affairs, community participation will be higher in the future. Of the participants interviewed, 87% responded that they as individuals are now more inclined to participate in solving the community’s problems while 80% of the participants felt that the community as a whole was more likely to work together to resolve problems.

In general, the participants were strongly supportive of the involvement of local authorities during the microproject implementation process and in ensuring the long-term sustainability of the microproject. The majority of the participants (88%) were supportive of the local authorities efforts during the rehabilitation process while 83% felt positive about the participation of the local authorities in ensuring the sustainability of the microproject. Significantly, 74% of the participants responded that the accountability of the local authorities increased after completion of the microproject.

VII. ATTACHMENTS

[illegible]

[illegible]

Social Investment Fund Objectives Status

Updates are reflected in Italics

OBJECTIVE	MEANS OF ASSESSMENT	ASSUMPTIONS	STATUS
1. Establish a Moldovan Management Unit (MMU) with the capacity and expertise to implement 100 to 200 infrastructure rehabilitation projects annually expected during the Moldovan Social Investment Fund.	<ul style="list-style-type: none"> Board of Directors selects senior MMU staff (month 0-1) and remainder of staff (by month 3) ACDI/VOCA and MMU sign Agreement of General Principles for MMU's operations (by month 2) Establish Chisinau office (by month 2) ACDI/VOCA Operational Assessment of MMU (month 4) ACDI/VOCA Operational Assessment of MMU's financial management, procurement, disbursement, and accounting and reporting procedures, including recommendations for fine-tuning administrative procedures and determining the scheduling of future targets for the MMU's administrative management. (months 4-5) MMU established as a fully-functional legal entity able to enter into contracts with implementing agencies and contractors (by month 5) Mid-term review, resulting in <i>Lessons Learned</i> that will be used to assess field procedures and to recommend MMU operational changes (month 9) World Bank assessment of MMU's capacity to manage the Moldovan SIF Technical assistance to the MMU: training tour to the Armenian SIF (month 1 and 3); ACDI/VOCA training of senior staff (months 1-3); ACDI/VOCA and senior staff training of engineers and social scientists (month 3); computer training of engineers and social scientists (month 4); ongoing ACDI/VOCA training of MMU (months 1-12) 	<ul style="list-style-type: none"> The timing of the MMU's establishment will be determined in consultation with the Government of Moldova, which may decide that it prefers to issue the appropriate decree or make legislative changes to grant the MMU legal status at a later time. The Government of Moldova will create the MMU to manage the SIF before month 15 to ensure continuity and a smooth transition. 	<ul style="list-style-type: none"> Senior staff, administrative staff and program staff hired by mid-December Office established in November In September, SIF was established as fully-functional legal entity able to enter into contracts with implementing agencies and contractors completed In November, SIF senior staff participated in training tour to Armenia SIF. ACDI/VOCA and World Bank training of staff is on-going. Completed to date: microproject evaluation and appraisal, procurement, identification of and working with implementing agencies, promotion, contractor bidding, computer training, and accounting codes. World Bank Pre-Appraisal Mission to evaluate the MSIF is scheduled from June 25 to July 10, 1998. The complete Appraisal will occur in early September. Training continued on financial and administrative procedures, logframe matrix, MIS and accounting systems, procurement, computers, and management. Mid-Term Review scheduled to correspond with World Bank Appraisal Mission from September 28 to October 9, 1998. MSIF staff received additional training on procurement procedures, logframe matrix usage and computers. Also learned more administrative and managerial skills. Mid-term completed in October 1998. Report sent to the SIF, USAID, and ACDI/VOCA-DC. In December, the pilot MSIF and staff was approved by the World Bank and Government of Moldova to implement the Main Phase of the SIF. The Main Phase will begin July 1, 1999. The \$15 million funding agreement between the World Bank and the Government of Moldova for the Main Phase of the MSIF was formally signed on March 17, 1999. <i>Moldova's Parliament approved the \$15 million World Bank for the Main Phase (next 4 years) on June 3, 1999</i>

Social Investment Fund Objectives Status

OBJECTIVE	MEANS OF ASSESSMENT	ASSUMPTIONS	STATUS
2. Develop the Operations Manual outlining procedures for procurement, microproject selection appraisal and implementation, and MMU administrative procedures.	<ul style="list-style-type: none"> Board of Directors develops implementation Guidelines in consultation with the World Bank (during World Bank mission, month 1) MMU and ACDI/VOCA create field manuals (by month 5) for engineers relating to promotion (month 2), appraisal of microprojects (months 3-4), and supervision of microproject construction works (months 3-4). MMU also develops appraisal criteria (by month 5) MMU and ACDI/VOCA create procurement guidelines and documents (month 5) Legal Advisor ensures legality of documentation, particularly contracts, framework agreements, bidding documents, and establishment of MMU (months 1-6) MMU produces rough draft of Operations Manual (by month 6) Mid-term review resulting in <i>Lessons Learned</i> that be used to assess field procedures and recommend MMU operations change (month 9) MMU produces final draft of Operations Manual, approved by the Board of Directors and the World Bank (by month 15) 	<ul style="list-style-type: none"> World Bank will be active in pilot phase in order to ensure smooth transition to main phase. 	<ul style="list-style-type: none"> Draft Operational Guidelines developed by end of November and translated into Romanian. Edited and revised by end of December. Field Manuals and appraisal criteria developed at the end of December and beginning of January respectively. Legal advisor hired in December. Procurement guidelines drafted during January and will be completed by end of February, prior to microproject implementation. Procurement guidelines revised by World Bank Procurement consultant in April. Revisions will continue in May. Basic guidelines remain intact, though with minor changes. Final version of Operational Guidelines completed in July. Will form basis for Operational Manual. Mid-Term Review scheduled to correspond with World Bank Appraisal Mission from September 28 to October 9, 1998. Mid-term Review completed October 12, 1998. Report sent to SIF, USAID, and ACDI/VOCA-DC Revisions to draft Operational Manual and Handbooks made during World Bank Appraisal Mission. Recommendations will be incorporated by the end of November. <i>Final versions of the Operational Manual and Handbooks were approved by the World Bank and National Steering Committee prior to December negotiations on the Main Phase. All documents were approved for use during the Main Phase.</i>

Social Investment Fund Objectives Status

OBJECTIVE	MEANS OF ASSESSMENT	ASSUMPTIONS	STATUS
3. Develop the accounting and financial management system for the MMU that will allow it to efficiently track expenditures.	<ul style="list-style-type: none"> MMU establishes basic computerized accounting system (month 1) ACDI/VOCA trains MMU in design of financial management, procurement, disbursement, and accounting and reporting procedures to be used during the pilot phase and consistent with USAID requirements (months 1-3) ACDI/VOCA carries out bi-monthly reviews of MMU finances (months 1-15) ACDI/VOCA Operational Assessment of MMU's financial management, procurement, disbursement, and accounting and reporting procedures, including recommendations for fine-tuning administrative procedures and determining the scheduling of future targets for the MMU's administrative management (months 4-5) ACDI/VOCA gives MMU monthly budget for administrative and operational expenses upon demonstration that MMU is adhering to approved procedures (estimated months 5-15) MMU managing most administrative aspects of the MSIFP, including all non-microproject procurement and disbursement (by month 6). MMU will have separate accounting system. 	<ul style="list-style-type: none"> ACDI/VOCA is legally and solely responsible for the funds awarded in the grant. 	<ul style="list-style-type: none"> Basic computerized accounting system (using Excel) was established by the end of December. During November and December, ACDI/VOCA and World Bank conducted training on procurement and disbursement, microproject cycle, financial reporting and role of donors. ACDI/VOCA began working with MMU in November on writing and adhering to monthly budgets. ACDI/VOCA established a monthly advance system whereby the MMU submits an advance request for the next month and reconciles expenditures of previous month. ACDI/VOCA still retains control over procurement and disbursement to enforce procurement principles followed. Training continues and, although most principles are understood, the SIF tries to find loopholes. Basic accounting system will remain in place, though new computer software expected to be finished by June 15. MMU managing all administrative aspects of MSIF. MIS and Accounting software being refined. A local accounting software package will be purchased for reporting to Moldova.Govt. SIF experiencing difficulty with World Bank designed accounting system. Testing interface between PMAS and 1-C will be completed by the end of November. A full test will occur at the end of December. Full test of system delayed until January due to delays in data input. NOTE: the system was successfully tested at the end of January and is now fully operational. After all quarterly financial figures are input, the MSIF will test the PMAS and 1-C interface using real data. Testing is expected in late April. <i>KPMG Peat Marwick gave the MSIF their unqualified auditors opinion, certifying that all financial records are accurate and properly recorded.</i> <i>Reports for the first quarter expenditures were generated at the end of April using the PMAS and 1-C interface and real data</i>

Social Investment Fund Objectives Status

OBJECTIVE	MEANS OF ASSESSMENT	ASSUMPTIONS	STATUS
4. Build the capacity of ten to fifteen communities to prepare sustainable infrastructure rehabilitation microprojects, manage or implement the construction work, and maintain these facilities.	<ul style="list-style-type: none"> Preliminary criteria for needs and capacity assessment, and selection of communities where promotional efforts will be focused (months 4-6) Promotion efforts in selected communities to include training to requesting agencies regarding microproject design (months 5-11) Formal training to implementing agencies regarding microproject procurement and management (months 6-12) Engineers and social scientists to carry out impact assessments of completed microprojects to evaluate sustainability (months 12-15) 	<ul style="list-style-type: none"> Community members require training to increase their capacity to implement such microprojects, and to develop mechanisms to maintain and operate facilities after completion. 	<ul style="list-style-type: none"> Preliminary criteria for needs and capacity assessment developed prior to Steering Committee selection of pilot communities in September. Criteria for project selection and appraisal were developed in January. Promotion activities were conducted in Soldanesti (December), Vulcanesti (January) and Nisporeni (January). In January, training of implementing agencies began in Soldanesti after appraisal and approval of microprojects. Training was conducted in 25 Implementing Agencies in villages in Soldanesti and Vulcanesti regions. In the future, additional training on NGO development will be conducted by the NGO Contact. Training conducted for 22 Implementing Agencies in the Nisporeni region. Conducted training for 28 leaders of IAs in Nisporeni and Stefan Voda on role of IA; seminar for 41 people from IAs in Nisporeni and Vulcanesti on establishing and maintaining IAs; trained 14 people from 5 IAs in Soldanesti on maintaining rehabilitated social assets. 3 NGOs created at USAID projects. Trained 33 IAs (165 people) in Dubasari, Cahul, and Glodeni. Contact NGO trained 18 members of 9 IAs in Stefan Voda on creating Sustainability Associations. 15 NGOs created to date at MSIF microprojects, 5 of which are at USAID-funded projects. Trained 86 Implementing Agencies (430 people) from the Singerei, Riscani, Cantemir and Taraclia regions. Also trained 29 members of 15 Implementing Agencies in the Criuleni and Dubasari regions. 24 NGOs created to date at MSIF microprojects, 10 of which are at USAID-funded projects; only 1 USAID-funded project does not have an NGO. Trained 18 Implementing Agencies (20 participants) on role of IAs and sustainability and another 80 IAs (422 beneficiaries) on writing microproject proposals.

Social Investment Fund Objectives Status

OBJECTIVE	MEANS OF ASSESSMENT	ASSUMPTIONS	STATUS
5. Generate employment by financing labor intensive construction works.	<ul style="list-style-type: none"> Establish targets for labor intensity of microprojects and integrate targets in appraisal criteria (by month 5) Calculate amount of labor creation throughout pilot phase (months 6-15) 	<ul style="list-style-type: none"> Microprojects will be labor intensive to distribute benefits of MSIFP to beneficiaries in form of salaried work. 	<ul style="list-style-type: none"> In December, the Executive Committee decided that labor should be at least 20% of microproject budget. In April, the Executive Committee decided to waive the minimum labor requirement for projects involving water and gas. The microprojects currently approved or undergoing appraisal are expected to generate 200 jobs, or approximately 13,000 workdays. The 4 microprojects nearing completion in the Soldanesti region have generated 80 jobs, 40 of which are from the communities. The 4 completed (and near complete) microprojects have generated 108 temporary jobs as well as a new private contractor. The 5 completed microprojects have created 245 jobs, of which 80 are from villages. The 12 completed microprojects have created 340 jobs. <i>The completed 15 microprojects have created 452 jobs. At the USAID-funded projects, 283 jobs were created, 91 of which were from the community.</i>

Social Investment Fund Objectives Status

OBJECTIVE	MEANS OF ASSESSMENT	ASSUMPTIONS	STATUS
6. Work with communities to develop an integrated approach to resolving community infrastructure problems that will contribute to the community's sense of ownership of a facility.	<ul style="list-style-type: none"> During the appraisal stage, give formal training to communities to create community action plans and develop plans for sustainability (months 5-12). Plans for sustainability will include mobilization of internal and external resources. Engineers and social scientists will carry out impact assessments on microprojects to evaluate sustainability. 	<ul style="list-style-type: none"> Communities are aware of their problems, but have difficulty in prioritizing problems, mobilizing internal and external solutions and implementing solutions. 	<ul style="list-style-type: none"> SIF engineers and social scientists conducted training in Soldanesti in January and are currently working in Vulcanesti on creating community action plans and on how to create sustainability plans. These plans were incorporated into project proposals. Training was conducted in 25 Implementing Agencies in villages in Soldanesti and Vulcanesti regions. In the future, additional training on NGO development will be conducted by the NGO Contact. Trained 14 people from 5 IAs on operation, maintenance, and sustainability of social assets rehabilitated with SIF support; trained 41 people from IAs in Vulcanesti and Nisporeni on establishing and maintaining User's Associations; trained 28 leaders of IAs in Nisporeni and Stefan Voda on roles of IAs. 4 NGOs created to date, 3 of which are at USAID projects. An additional 4 NGOs are currently in the process of registering. Trained 33 IAs (165 people) in Dubasari, Cahul, and Glodeni. Contact NGO trained 18 members of 9 IAs in Stefan Voda on creating Sustainability Associations. 15 NGOs created to date, 5 of which are at USAID projects. Also trained 86 IAs (430 people) in Singerei, Riscani, Cantemir and Taraclia on sustainability plans and issues. 24 NGOs created to date at MSIF microprojects, 10 of which are at USAID-funded projects; only 1 USAID-funded project does not have an NGO. Trained 18 Implementing Agencies (20 participants) on role of IAs and sustainability and another 80 IAs (422 beneficiaries) on writing microproject proposals.
7. Strengthen the capacity of local contractors to benefit from the contracts financed by the MSIF.	<ul style="list-style-type: none"> MMU development of transparent procurement documentation and procedures for use by implementing agencies (by month 6) ACDI/VOCA monitoring of procurement and no-objection to selection of contractors (month 6-12) 	<ul style="list-style-type: none"> Transparency in procurement and simplification of procedures will ensure that a maximum number of private contractors can benefit from the MSIFP. There are sufficient contractors 	<ul style="list-style-type: none"> Draft procurement documentation and procedures completed by January. ACDI/VOCA began monitoring and approving or disallowing procurement of goods and exercising no-objection over staff or consultants in November. Training to contractors conducted for each microproject. Errors in bid submission by contractors resulted in changes

	<ul style="list-style-type: none"> • Training to contractors regarding construction management, contracts, financial management and procurement held in districts where microprojects are to be implemented (months 6-12) 	<p>to permit local competitive bidding to occur.</p> <ul style="list-style-type: none"> • Contractors have necessary skills but often lack management skills and exposure to western construction management practices. 	<p>made to documentation and teaching methods.</p> <ul style="list-style-type: none"> • Trained 18 potential contractors in Vulcanesti and Nisporeni on SIF bidding procedures. • Because of interaction with SIF, a group of contractors broke away from state-owned contractor to become private and bid on SIF projects. • Trained 8 representatives of 6 private contractors in Stefan Voda on SIF bidding procedures. To date, 39 contractors have bid on MSIF projects, 18 of which received intensive training. 11 contractors have won projects. Of the 11, 3 have completed 1 project and successfully bid on a second. <hr/> <ul style="list-style-type: none"> • Trained representatives of 14 private contractors in Criuleni. To date, 50 contractors have bid on MSIF projects, 32 of which received intensive training. Of the 32, 13 have won contracts. <hr/> <ul style="list-style-type: none"> • <i>Trained representatives of 18 private contract in Balti. To date, 71 contractors have bid on MSIF projects, 50 of which received intensive training. Of the 50, 15 have won contracts and 5 of the winners have won more than 1 contract.</i>
<p>8. Develop a Management Information System to support the MMU's tracking of microproject implementation.</p>	<ul style="list-style-type: none"> • MIS Head begins development of MIS (month 2). Consultant works with MIS Head to design MIS development schedule • Development of Cost Unit Database (month 5) • Development of Microproject Supervision System (month 6-12) • Consultant visits MMU to assess progress of MIS development (month 8) • MIS capable of allowing engineers to enter data and create appraisal reports; integrate project specifications into bidding documents, framework agreements and contracts; and track and monitor the progress of the construction works (by month 10) • Testing of MIS in preparation of main phase (by month 13) 	<ul style="list-style-type: none"> • Based on the experience of other social investment funds, a minimum of nine months is required to develop a functioning MIS. 	<ul style="list-style-type: none"> • Development of the MIS began in December. The World Bank intends to send an MIS consultant in March. • Development of the Cost Unit Database began in December and is currently underway. • Development of MP Supervision System in initial stages. • As of April 31, the identification, appraisal, and approval stages of the microproject cycle are automated. • Development of Cost Unit database continues. • MIS Consultant advised MSIF to hire outside consultant to design MIS and accounting software. New software is expected on June 15. MIS Consultant will return at that time to assess system and assist in transition. Training for engineers will begin immediately. • MIS assessed as complete during World Bank Appraisal Mission, though practical changes (report formats) will be made prior to end of December. • Training of SIF staff on using MIS continues and will receive heightened attention during next quarter. <hr/> <ul style="list-style-type: none"> • <i>MIS complete</i>